

***Pension Plan of
Town of West Warwick***

***Actuarial Valuation Report
July 1, 2015***

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Highlights

Purpose of the Valuation

This report summarizes actuarial information regarding the plan's liabilities and benefit obligations as compared to assets available for benefits on the valuation date. The report was prepared by Nyhart to:

- determine the acceptable range of employer contributions; and
- determine the plan's funded status

Principal results of actuarial valuations are shown in the following sections.

Plan Year Ending	06/30/17	06/30/16	06/30/15
Employer Contributions			
Valuation Payroll	N/A	\$ 15,208,402	\$ 14,203,313
Projected Payroll	\$ 15,441,246	\$ 14,552,901	\$ 14,203,313
Actuarial Recommended Funding Contribution	\$ 8,739,745	\$ 8,309,706	\$ 8,103,839
As percent of projected payroll	56.6%	57.1%	57.1%
Employer contribution	N/A	N/A	\$ 8,062,234
As percent of projected payroll	N/A	N/A	56.8%
Valuation Date			
	07/01/15	07/01/14	07/01/13
Plan Assets			
Fair market value	\$ 28,964,843	\$ 27,928,822	\$ 26,565,271
Actuarial value for funding	\$ 30,064,933	\$ 27,236,805	\$ 26,428,505
Funded Status			
Actuarial Accrued Liability	\$ 151,915,835	\$ 144,350,999	\$ 154,588,604
Unfunded Accrued Liability	\$ 121,850,902	\$ 117,114,194	\$ 128,160,099
Funded Ratio			
Market Value Basis	19.1%	19.3%	17.2%
Actuarial Value Basis	19.8%	18.9%	17.1%

Highlights – Continued

Valuation Date	07/01/15	07/01/14	07/01/13
Participants			
Number of participants:			
Active	304	299	297
Inactive with deferred benefits	31	33	33
Inactive receiving benefits	<u>346</u>	<u>341</u>	<u>332</u>
Total in valuation	681	673	662
Active participant averages:			
Age nearest birthday	45.7	45.2	45.0
Years of employment to date	12.1	11.9	11.8
Compensation for benefits	\$ 50,028	\$ 47,503	\$46,991

Changes Since the Last Valuation

Historically, the Actuarial Recommended Funding Contribution was determined annually for the plan year beginning on the valuation date. Beginning with plan year beginning July 1, 2015, the method has been changed such that the Actuarial Recommended Funding Contribution is based on the calculated contribution as a percentage of payroll from the prior valuation date. This percentage is applied to projected payroll for the following plan year.

For example, the calculated funding contribution for the plan year beginning July 1, 2014 was 57.1% of valuation payroll. Therefore, the Actuarial Recommended Funding Contribution for plan year beginning July 1, 2015 is 57.1% of payroll projected from the July 1, 2014 valuation to the plan year beginning July 1, 2015. Based on updated census and asset information, the calculated contribution at July 1, 2015 is 56.6% of valuation payroll. Therefore, the Actuarial Recommended Funding Contribution for plan year beginning July 1, 2016 is 56.6% of payroll projected from the July 1, 2015 valuation to the plan year beginning July 1, 2016. Details of these calculations are shown in this report.

For plan liabilities as of July 1, 2015 and the determination of the Actuarial Recommended Funding Contribution for plan year ending July 1, 2017, the mortality tables were updated for all participants:

- For public safety members and non-disabled public safety retirees, the mortality table has been updated from the RP-2000 table with blue collar adjustments and generational improvements per scale AA to the RP-2014 mortality table with blue collar adjustments and Social Security generational improvements from 2006.
- For disabled retirees, the mortality table has been updated from the RP-2000 Disabled table with generational improvements per scale AA to the RP-2014 Disabled table with Social Security generational improvements from 2006.
- For all others, the mortality table has been updated from the RP-2000 table with generational improvements per scale AA to the RP-2014 mortality table with Social Security generational improvements from 2006.

This assumption change resulted in an increase in the Actuarial Accrued Liability and the Actuarial Recommended Funding Contribution.

Highlights – Continued

Comments

Effective July 1, 2014, significant changes were made to the pension plan in response to concerns about the viability of the plan and the pressures it was placing on the Town's finances. While these changes resulted in significant reductions to plan liabilities and contribution requirements, the funded percentage of the plan remains low at 19.8%. In an effort to improve both the short-term and long-term outlook of the plan, it is recommended that the Town annually contributes at least the Actuarial Recommended Funding Contribution.

Actuary's Opinion

This report provides information regarding the actuarial valuation prepared for

Pension Plan of Town of West Warwick

The actuarial valuation was prepared as of July 1, 2015 using information which has been reconciled and reviewed for reasonableness. Employee census information was provided by the Town and asset information was provided by the trustee. Our review was not performed at the source, and we therefore do not accept responsibility for the accuracy or completeness of the data on which the information is based.

To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with the Actuarial Standards of Practice as described by the American Academy of Actuaries.

In our opinion, the actuarial assumptions and methods are individually reasonable and in combination represent our best estimate of anticipated experience of the plan.

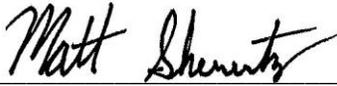
Neither Nyhart nor any of its employees have any relationship with the plan or its sponsor which could impair or appear to impair the objectivity of this report.

To the extent that this report or any attachment concerns tax matters, it is not intended to be used and cannot be used by a taxpayer for the purpose of avoiding penalties that may be imposed by law.

The undersigned are compliant with the continuing education requirements of the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States.

Nyhart

Valuation prepared by:



Matt Sherertz, ASA, EA

Valuation reviewed by:



Tayt V. Odom, FSA, EA, MAAA

December 4, 2015

Date

Section 1 - Assets

1.1 Reconciliation of Plan Assets

Transaction activity is summarized in Section A and market value of assets is reconciled in Section B for the plan year ending 06/30/15 as follows:

A. Net income (loss):

(1) Contributions:			
From town	\$ 8,062,234		
From participants	1,748,791		
Other	<u>0</u>	\$ 9,811,025	
(2) Interest and Dividends		597,569	
(3) Realized Gains/(Losses)		241,062	
(4) Unrealized Gains/(Losses)		(200,685)	
(5) Other income		0	
(6) Disbursements:			
Benefit payments	\$ 9,181,180		
Legal expenses	93,019		
Investment expenses	45,819		
Administrative/Other expenses	<u>92,932</u>	9,412,950	
(7) Net income (loss) = (1) + (2) + (3) + (4) + (5) - (6)		\$ 1,036,021	

B. Reconciliation of market value of assets:

(1) Market value of assets as of 06/30/2014	\$ 27,928,822
(2) Net income (loss) from A(7)	1,036,021
(3) Market value of assets as of 06/30/2015 = (1) + (2)	\$ 28,964,843

Section 1 – Continued

1.2 Summary of Assets

(1) Cash and Cash Equivalents				\$ 3,795,535
(2) General investments:				
Equities	\$ 15,984,036		(55%)	
Fixed Income	9,175,654		(32%)	
Government Securities	<u>0</u>		(0%)	
				25,159,690
(3) Receivables:				
Employer contributions	\$ 0			
Income	<u>9,618</u>			9,618
(4) Prepaid Expenses				0
(5) Liabilities:				
Due to Other Funds	\$ 0			
Internal Balances	0			
Accounts Payable & Accrued Expenses	<u>0</u>			0
(6) Total assets = (1) + (2) + (3) + (4) – (5)				\$ 28,964,843

1.3 Actuarial Value of Assets

The market value of plan assets has been adjusted for valuation purposes to smooth the effects of appreciation and/or depreciation in assets over a 5-year period. Determination of the actuarial value of plan assets is detailed below.

(1) Fair market value of assets as of 06/30/2015					\$28,964,843
(2) Five-year smoothing of gains/(losses):					
2014-2015	\$ (1,711,678)	x 80%	=	\$ (1,369,342)	
2013-2014	\$ 1,136,957	x 60%	=	\$ 682,174	
2012-2013	\$ 540,200	x 40%	=	\$ 216,080	
2011-2012	\$ (3,145,011)	x 20%	=	\$ (629,002)	\$ (1,100,090)
(3) Actuarial value of assets = (1) – (2)					\$ 30,064,933

Section 1 – Continued

1.4 Average Rates of Return

Average rates of investment return have been determined using the formula

Two times (I) divided by (A + B – I), where

I is the dollar amount of earnings (including unrealized appreciation or depreciation of plan assets) for the plan year;

A is the value of assets at the beginning of the plan year; and

B is the value of assets at the end of the plan year

Under this formula, all transactions are assumed to occur in the middle of the year, therefore, rates of return determined in this manner are estimates and should be used only for comparison with actuarial assumptions.

Plan Year Ending	06/30/15	06/30/14	06/30/13
Based on average market value:			
Earnings after expenses	1.44%	11.96%	10.17%
Based on actuarial value:			
Earnings after expenses	8.00%	9.84%	1.97%

Section 2 – Contribution Recommendation – All Divisions

2.1 Actuarial Recommended Funding Contribution

Plan Year Ending	06/30/17	06/30/16	06/30/15
Valuation Date	07/01/15	07/01/14	07/01/14
(1) Employer normal cost	\$ 723,136	\$ 701,099	\$ 701,099
(2) Net amortization payment (Exhibit 1, 2)	7,582,771	7,114,937	7,114,937
(3) Interest at valuation rate on (1) + (2)	305,841	287,803	287,803
(4) Calculated contribution at valuation date (1) + (2) + (3)	8,611,748	8,103,839	8,103,839
(5) Valuation payroll	15,208,402	14,203,313	14,203,313
(6) Calculated contribution as a percentage of valuation payroll (4) ÷ (5)	56.6%	57.1%	57.1%
(7) Projected payroll	15,441,246	14,552,901	14,203,313
(8) Actuarial recommended funding contribution (6) x (7)	\$ 8,739,745	\$ 8,309,706	\$ 8,103,839

Section 2 – Continued

2.2 Actuarial Recommended Funding Contribution – By Division – Plan Year Ending 06/30/16

Valuation Date: July 1, 2014

Plan Year Ending: June 30, 2016

	<u>Library</u>	<u>Waste Water</u>	<u>School</u>	<u>Municipal</u>	<u>Fire</u>	<u>Police</u>	<u>Total</u>
(1) Total Normal Cost	47,110	112,487	424,959	318,185	725,188	630,837	2,258,766
(2) Expected Employee Contributions	<u>25,162</u>	<u>96,580</u>	<u>346,499</u>	<u>292,313</u>	<u>460,379</u>	<u>336,734</u>	<u>1,557,667</u>
(3) Employer Normal Cost (1) – (2)	21,948	15,907	78,460	25,872	264,809	294,103	701,099
(4) Net Amortization Payment	139,158	356,963	1,127,967	1,547,101	1,983,236	1,960,512	7,114,937
(5) Interest at Valuation rate on (3) + (4)	<u>5,932</u>	<u>13,730</u>	<u>44,423</u>	<u>57,920</u>	<u>82,778</u>	<u>83,020</u>	<u>287,803</u>
(6) Calculated contribution at valuation date (3) + (4) + (5)	167,038	386,600	1,250,850	1,630,893	2,330,823	2,337,635	8,103,839
(7) Valuation payroll	293,226	901,118	3,251,075	2,771,335	3,784,298	3,202,261	14,203,313
(8) Calculated contribution at valuation date as a percentage of valuation payroll (6) ÷ (7)	57.0%	42.9%	38.5%	58.8%	61.6%	73.0%	57.1%
(9) Projected payroll	301,693	938,102	3,350,127	2,847,831	3,875,568	3,239,580	14,552,901
(10) Preliminary actuarial recommended funding contribution (8) x (9)	171,965	402,446	1,289,799	1,674,525	2,387,350	2,364,893	8,290,978
(11) Adjustment due to rounding	388	1,207	4,311	3,665	4,987	4,170	18,728
(12) Actuarial recommended funding contribution (10) + (11)	172,353	403,653	1,294,110	1,678,190	2,392,337	2,369,063	8,309,706

Section 2 – Continued

2.3 Actuarial Recommended Funding Contribution – By Division – Plan Year Ending 06/30/17

Valuation Date: July 1, 2015

Plan Year Ending: June 30, 2017

	<u>Library</u>	<u>Waste Water</u>	<u>School</u>	<u>Municipal</u>	<u>Fire</u>	<u>Police</u>	<u>Total</u>
(1) Total Normal Cost	44,113	130,517	450,171	357,516	818,921	640,328	2,441,566
(2) Expected Employee Contributions	<u>22,831</u>	<u>109,252</u>	<u>347,565</u>	<u>334,474</u>	<u>546,614</u>	<u>357,694</u>	<u>1,718,430</u>
(3) Employer Normal Cost (1) – (2)	21,282	21,265	102,606	23,042	272,307	282,634	723,136
(4) Net Amortization Payment	144,325	384,747	1,199,920	1,663,930	2,098,992	2,090,857	7,582,771
(5) Interest at Valuation rate on (3) + (4)	<u>6,098</u>	<u>14,950</u>	<u>47,962</u>	<u>62,118</u>	<u>87,316</u>	<u>87,397</u>	<u>305,841</u>
(6) Calculated contribution at valuation date (3) + (4) + (5)	171,705	420,962	1,350,488	1,749,090	2,458,615	2,460,888	8,611,748
(7) Valuation payroll	277,351	1,032,051	3,281,311	3,138,458	4,266,235	3,212,996	15,208,402
(8) Calculated contribution at valuation date as a percentage of valuation payroll (6) ÷ (7)	61.9%	40.8%	41.2%	55.7%	57.6%	76.6%	56.6%
(9) Projected payroll	284,483	1,071,367	3,368,641	3,215,033	4,301,260	3,200,462	15,441,246
(10) Preliminary actuarial recommended funding contribution (8) x (9)	176,095	437,118	1,387,880	1,790,773	2,477,526	2,451,554	8,720,946
(11) Adjustment due to rounding	346	1,304	4,101	3,914	5,237	3,897	18,799
(12) Actuarial recommended funding contribution (10) + (11)	176,441	438,422	1,391,981	1,794,687	2,482,763	2,455,451	8,739,745

Section 3 – Basis for the Valuation

3.1 Plan Participants

Participant information provided by the plan administrator is summarized in the following table.

	Active	Inactive Participants		
		Benefits Deferred	Receiving Benefits	Total
Participants at 06/30/14	299	33	341	673
Retired	(5)	(4)	9	0
Rehires	0	0	0	0
Deaths without survivor	0	0	(5)	(5)
Deaths with survivor benefits	0	0	(3)	(3)
Disabled	(1)	0	1	0
Beneficiary added	0	0	3	3
Vested terminations	(5)	5	0	0
Add alternate payees	0	0	0	0
Benefits paid in full	(2)	(4)	0	(6)
Data corrections	0	0	0	0
New participants during the plan year	18	1*	0	19
Participants as of 06/30/15	304	31	346	681

* Includes one participant who had been hired and terminated in the same year. A return of contributions is due to them.

Section 3 – Continued

3.1 Plan Participants – Continued

	Library	Waste Water	School	Municipal	Fire	Police	Totals
Actives							
Eligible for normal retirement benefits	1	2	12	4	8	16	43
Non-vested benefits	7	10	36	21	30	21	125
Not yet eligible for retirement benefits	1	11	42	36	32	14	136
Total	9	23	90	61	70	51	304
Receiving							
Currently receiving benefits	7	21	85	91	71	71	346
Terminated Vested							
Entitled to deferred benefit	2	3	21	4	0	1	31
Totals	18	47	196	156	141	123	681

Section 3 – Continued**3.2 Information about Participants****Active Participants**

Number accruing benefits	304
Average age for valuation	45.7
Average years of employment	12.1
Average pay	\$ 50,028

Inactive Participants with Deferred Retirement Benefits

Number of former participants with deferred retirement benefits	7
Average age for valuation	55.1
Total deferred monthly benefits	\$ 9,308
Average deferred monthly benefit	\$ 1,330

Inactive Participants Due Return of Contributions

Number of former participants due return of contributions	24
Average age for valuation	44.1
Total employee contributions (without interest)	\$ 185,874
Average employee contribution amount (without interest)	\$ 7,745

Retired Participants and Beneficiaries

Number of retired pensioners	238
Number of disabled pensioners	58
Number of beneficiaries	47
Number of alternate payees	3
Total monthly benefits	\$ 755,531
Average monthly benefit	\$ 2,184

Section 3 – Continued**3.3 Summary of Plan Provisions****Name of plan**

Pension Plan of Town of West Warwick

Effective date

Police and Fire April 1, 1957

School March 1, 1970

Others July 1, 1969

Participation

Employees are eligible to participate in the Plan upon date of hire.

Normal retirement benefit

Fire A benefit equal to 2.2% of Average Annual Compensation multiplied by credited service up to 25 years, plus 3.0% of Average Annual Compensation for up to 5 additional years with a maximum benefit of 70% of Average Annual Compensation

Police with 20 years of service as of 6/30/2014 A benefit equal to 2.5% of Average Annual Compensation multiplied by credited service up to 28 years.

Other Police A benefit equal to 2.5% of Average Annual Compensation multiplied by credited service up to 20 years, plus 1.0% of Average Annual Compensation for the next 5 years of service, plus 2.5% of Average Annual Compensation for the next 6 years of service. The maximum benefit of 70% of Average Annual Compensation is attained at 31 years of service.

Library A benefit equal to 2.5% of Average Annual Compensation multiplied by credited service.

Municipal Union, Waste Water, School (Council 94), Municipal Non-Union A benefit equal to 2.5% of Average Annual Compensation multiplied by credited service for each year of service prior to 7/1/2014. Members earn 2.4% of Average Annual Compensation for each year of service after 7/1/2014.

Section 3 – Continued

3.3 Summary of Plan Provisions – Continued

Normal retirement date

Fire hired before 7/1/14	Regular fire employees hired before 7/1/14 may retire upon the earlier of attainment of age 62 or age 50 with 25 years of service. Four members named in the CBA may retire upon the earlier of attainment of age 62.5 or the completion of 20 years of service regardless of age.
Fire hired after 7/1/14	Regular fire employees hired after 7/1/14 may retire upon the earlier of attainment of age 62 or age 55 with 25 years of service.
Civilian Fire	Civilian fire employees may retire at attainment of age 60 with 10 years of service.
Police hired before 7/1/14	Police employees hired before 7/1/14 may retire at the earlier of age 62 or the completion of 20 years of service regardless of age.
Police hired on or after 7/1/14	Police employees hired on or after 7/1/11 may retire at the earlier of age 62 or the attainment of age 50 and completion of 20 years of service.
Library	Participants may retire upon the attainment of age 60 and completion of 10 years of service or the completion of 25 years of service regardless of age.
Municipal Non-Union	Participants may retire upon the attainment of age 55 and completion of 10 years of service.
Municipal Union, Waste Water, School (Council 94)	
Hired before 7/1/14	Participants hired before 7/1/14 may retire upon the attainment of age 62 and completion of 12 years of service or the completion of 25 years of service regardless of age.
Hired on or after 7/1/14	Participants hired on or after 7/1/14 may retire upon the attainment of age 62 and completion of 12 years of service or the attainment of age 55 and completion of 25 years of service.

Early Retirement Date

Police and Fire	Age 50 and 10 years of service.
Others	Department head after age 50 and 10 years of service.

Annual Compensation

Police	Basic earnings, longevity pay (excluding overtime and other extra payments), wellness stipend, and 105 hours of holiday pay.
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Section 3 – Continued

3.3 Summary of Plan Provisions – Continued

Fire	Basic earnings, longevity pay (excluding overtime and other extra payments), all holiday pay, and EMT pay.
Others	Basic earnings and longevity pay (excluding overtime and other extra payments).

Average Annual Compensation

Police, Library	Average of Annual Compensation over the last 12 months of employment.
Fire	Average of highest three consecutive Annual Compensation amounts.
Municipal Non-Union	Average of final three Annual Compensation amounts.
Municipal Union, Waste Water, School (Council 94)	Average of final ten Annual Compensation amounts.

Continuous Service

Number of years and completed months of uninterrupted service.

Preretirement death benefit

A lump sum equal to \$400 times years of service, with a minimum of \$2,000 and a maximum of \$8,000 is payable to the employee's beneficiary. If a survivor's pension is not payable, an additional amount equal to employee contributions with credited interest is payable to the employee's beneficiary.

If the employee dies after 10 years of service and while married, his spouse will receive a monthly pension equal to the amount which would be payable if he had retired with a 50% joint & survivor annuity.

Postretirement death benefit

A lump sum is payable to the participant's beneficiary in an amount equal to the greater of: A) \$400 times years of service, with a maximum of \$8,000, reducing by 25% per year following retirement, to a minimum of \$2,000 or B) the excess of the employee's contributions plus credited interest to the retirement date over any benefits already paid.

In addition, a spouse's pension equal to 67.50% of the participant's pension is payable until the earlier of the spouse's death or remarriage, or to surviving dependent children under age 18.

Disability Retirement

Occupational Disability	Benefit amount is equal to 2/3 of Annual Compensation at disability payable for life.
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Section 3 – Continued

3.3 Summary of Plan Provisions – Continued

Fire – Occurs Before 25 Years of Service

Payments receive no annual increases. Upon the 25th anniversary since date of hire, benefit is adjusted to 55% of present pay received by active employees in the position held at time of disability retirement. After 7 years of COLA suspension commencing at the 25th anniversary since date of hire, the 2.25% simple COLA applies for 15 years.

Fire – Occurs After 25 Years of Service

After 7 years of COLA suspension commencing at date of disability, the 2.25% simple COLA applies for 15 years.

Police

Payments are increased annually by the percentage increase in pay of an active employee in the position held at time of disability retirement. If the member is not fully disabled at normal retirement age, the benefit is adjusted to the member’s accrued benefit under the normal retirement benefit formula. The standard retirement COLA will apply to this portion of the benefit, with no 7-year delay.

Others

After 5 years of COLA suspension commencing at date of disability, the 2.00% compounded COLA applies for 15 years.

Non-Occupational Disability

Eligible after completing 7 years of continuous service and prior to reaching early or normal retirement date for Police and Fire.

Fire – Prior to 10 Years of Service

25% of Annual Compensation

Fire – After 10 Years of Service

25% of Annual Compensation, plus 2.2% for each year between 10 and 25, plus 3.0% for each year between 25 and 30 years; accruals cease at 30 years.

Police

Benefit amount is equal to the accrued normal retirement benefit with a minimum of 50% of Average Annual Compensation.

Others

Benefit amount is equal to the accrued normal retirement benefit.

Partial Disability - Others

Benefit amount is equal to 2% of Annual Compensation times years of service.

Employee Contributions

Police

12.0% of Annual Compensation

Section 3 – Continued

3.3 Summary of Plan Provisions – Continued

Fire	13.0% of Annual Compensation
Library	9.0% of Annual Compensation
Others	11.0% of Annual Compensation

Cost of living adjustments

Police*	2.00% compounded for 10 years effective July 1, 1991 2.25% compounded for 15 years effective July 1, 2000 Suspended 7 years from retirement, followed by 2.25% compounded for 15 years.
Fire*	2.00% compounded for 10 years effective July 1, 1991 2.25% compounded for 15 years effective July 1, 2002 Suspended until the earlier of 7 years from retirement or age 62.5 for regular members (age 67 for civilian members), followed by 2.25% simple COLA for 15 years.
Library*	2.00% compounded for 5 years effective July 1, 1999 2.25% compounded for 15 years effective July 1, 2002
Others*	2.00% compounded for 5 years effective July 1, 1999 2.25% compounded for 15 years effective July 1, 2002 Suspended 5 years from retirement, followed by 2.00% compounded for 15 years.

*For retirees and deferred vested participants as of July 1, 2014, the COLA has been suspended for 5 years from July 1, 2014 through and including June 30, 2019. After the suspension, the COLA resumes for members who have remaining COLA increases. For example, if the member only received 2 years of COLA increases prior to the suspension, he or she would begin to receive COLA increases for years 3 through 15 when the COLA resumes on July 1, 2019.

Vesting

Upon termination after 10 years of service, Member may choose between a refund of contributions with interest or a monthly pension at normal retirement date.

Upon termination prior to 10 years of service, Member contributions are returned with interest accumulated at 4.0% per year.

Section 3 – Continued

3.3 Summary of Plan Provisions – Continued

Normal form of payment

The normal form of benefit is a monthly benefit payable for the participant's lifetime with 67.5% of such benefit continued to a surviving contingent annuitant following the participant's death with guaranteed return of employee contributions accumulated at 4.0% interest to retirement.

Section 3 – Continued

3.4 Actuarial Assumptions

Actuarial assumptions concerning future events are described below. Please see *Highlights* section for comments regarding changes in assumptions since the last valuation.

Retirement age

Police – Hired Prior to 7/1/14	25% at 20 years of service; 50% at 25 years of service; 100% at age 62; 5% at all other age/service combinations.
Police – Hired On or After 7/1/14	25% at first eligibility for unreduced retirement if less than 25 years of service; 50% at first eligibility for unreduced retirement at 25 or more years of service; 100% at age 62; 5% at all other age/service combinations.
4 Grandfathered Fire Members	25% at 20 years of service; 50% at 25 years of service; 100% at age 62; 5% at all other age/service combinations.
Other Fire Members	50% at first eligibility for unreduced retirement; 5% at ages 50-54; 30% at ages 55 and 60 if ineligible for unreduced retirement; 50% at ages 55 and 60 if eligible for unreduced retirement; 100% at age 62; 10% at all other age/service combinations.
Civilian Fire Members	5% at all ages <60; 50% at ages 60 and 62; 10% at ages 61, 63, 64; 100% at age 65
Others	

<u>Age</u>	<u>Rate</u>
0 - 55	2%
56 - 59	4%
60	25%
61	10%
62 - 64	30%
65 - 66	25%
67 - 69	50%
70	100%

Displayed rates above apply only to extent member is retirement eligible.

**Mortality of healthy lives
Police and Fire**

For PYE 06/30/16:
RP-2000 Combined Blue Collar Mortality Table with generational projection per Scale AA.

For PYE 06/30/17:
RP-2014 Blue Collar Mortality Table with Social Security Generational Improvements from 2006.

Section 3 – Continued

3.4 Actuarial Assumptions – Continued

Others and Beneficiaries of All Participants	<p>For PYE 06/30/16: RP-2000 Combined Healthy Mortality Table with generational projection per Scale AA.</p> <p>For PYE 06/30/17: RP-2014 Mortality Table with Social Security Generational Improvements from 2006.</p>
Mortality of disabled lives All Participants	<p>For PYE 06/30/16: RP-2000 Disabled Mortality Table with generational projection per Scale AA.</p> <p>For PYE 06/30/17: RP-2014 Disabled Mortality Table with Social Security Generational Improvements from 2006.</p>
Disablement	
Police and Fire*	3 times the 1985 Pension Disability Table.
Others	1985 Pension Disability Table through age 54.

<u>Age</u>	<u>Police and Fire</u>	<u>Others</u>
25	0.28%	0.09%
30	0.44%	0.15%
35	0.66%	0.22%
40	0.99%	0.33%
45	1.53%	0.51%
50	2.51%	0.84%
55	4.49%	0.00%
60	6.32%	0.00%

*50% of Police members who become disabled prior to retirement age are assumed to remain disabled at retirement age.

Section 3 – Continued

3.4 Actuarial Assumptions – Continued

Withdrawal

Police and Fire	None
Others	Crocker-Sarason T-3

<u>Age</u>	<u>T-3</u>
25	5.27%
30	4.83%
35	4.47%
40	3.84%
45	3.21%
50	1.52%
55	0.33%
60	0.00%

Future salary increases 2.0% compounded annually for the next three years; 3.5% compounded annually thereafter

Valuation interest rate 7.5%

Eligible spouse 80% of participants assumed to be married with female spouse 3 years younger than husbands

COLA - Active Police Disability 90% of assumed active base salary increase rate (0.00% next 3 years; 3.15% compounded thereafter)

Section 3 – Continued

3.5 Valuation Procedures

Funding method

Actuarial Recommended Funding Contribution – Entry Age Normal Cost Method

The actuarial cost method used in determining the actuarial recommended contribution is the entry age normal cost method.

In determining the Actuarial Recommended Funding Contribution, the excess of the entry age actuarial accrued liability over the actuarial value of plan assets is amortized over a closed 25 year period as a level % of pay. For this purpose, pay is assumed to grow at 3.5% annually.

The Actuarial Recommended Funding Contribution is determined as a percentage of projected payroll in the following plan year.

Asset valuation method

The actuarial value of assets is equal to the fair market value of assets on the valuation date adjusted for a 5 year phase in of gains and losses on fair market value of assets.

Other procedures

Benefits projected to assumed retirement age for active participants have been limited so as not to exceed maximum benefit limits imposed by Code Section 415(b) and/or maximum compensation limits of Code Section 401(a)(17).

Exhibit 1 – Unfunded Actuarial Liability as of 07/01/14**A. Unfunded Entry-Age Actuarial Accrued Liability**

(1)	Active participants	\$ 37,918,853
(2)	Inactive participants with deferred benefits	1,631,375
(3)	Participants/beneficiaries receiving benefits	104,800,771
(4)	Total entry-age actuarial accrued liability (1) + (2) + (3)	144,350,999
(5)	Actuarial value of assets as of 07/01/14	27,236,805
(6)	Unfunded actuarial liability as of 07/01/14 = (4) – (5), not less than zero	\$ 117,114,194

B. Actuarial Recommended Funding Contribution Amortization Schedule

	First Payment	Remaining Amortization Period (Years)	Outstanding Balance	Annual† Payment
Charges:	07/01/2014	25	\$ 117,114,194	\$7,114,937
		Total	\$ 117,114,194	\$7,114,937

† Based on a closed period 25 year amortization as a level % of pay.

Exhibit 2 – Unfunded Actuarial Liability as of 07/01/15**A. Unfunded Entry-Age Actuarial Accrued Liability**

(1)	Active participants	\$ 42,515,442
(2)	Inactive participants with deferred benefits	1,205,722
(3)	Participants/beneficiaries receiving benefits	108,194,671
(4)	Total entry-age actuarial accrued liability (1) + (2) + (3)	151,915,835
(5)	Actuarial value of assets as of 07/01/15	30,064,933
(7)	Unfunded actuarial liability as of 07/01/15 = (4) – (5), not less than zero	\$ 121,850,902

B. Actuarial Recommended Funding Contribution Amortization Schedule

	First Payment	Remaining Amortization Period (Years)	Outstanding Balance	Annual‡ Payment
Charges:	07/01/2015	25	\$ 3,601,701	\$ 218,812
	07/01/2014	24	\$ 118,249,201	\$ 7,363,959
		Total	\$ 121,850,902	\$ 7,582,771

‡ Based on a closed period 25 year amortization as a level % of pay.